

However, he also told Werlinger that Salem intended to terminate the LMA as of Midnight, Saturday, May 6th and had no concern at all regarding Mr. Werlinger's warning against tampering.

Mr. Werlinger immediately contacted KENR Management counsel Day Fisher in Austin, Texas regarding the situation. Mr. Fisher informed Werlinger that one option open to KENR Management was to attempt to secure a temporary restraining order against Salem enjoining Salem from terminating the agreement.

On Friday, May 5, at approximately 3:30 pm, state district judge Catherine Kennedy issued a temporary restraining order which was to hold until a hearing on the evidence in the case could be held on Monday, May 8th. Following the judge's ruling, Mr. Werlinger appeared at the Salem offices to offer a compromise, suggesting that Salem and Chameleon split the 22 remaining days in May down the middle with Chameleon remaining in place and programming KENR until midnight, May 19th and Salem assuming complete operation of the station at that point. Under that plan, said Werlinger, the programmers now on KENR would have time to inform their audiences that a move to 1270 kHz was underway and make a smooth transition. Mr. Clark told Mr. Werlinger that Salem would accept such a plan only if KENR Management would agree to a price of \$25,000.00 for the 19 days of programming. Werlinger flatly refused to discuss what he considered extortion (under the \$20,000 a month agreement, the 19 days would have netted Salem \$12,258.06) and informed Mr. Clark he would see him in court on Monday.

Approximately an hour prior to Judge Kennedy's issuance of the temporary restraining order, John Vu at the FCC had issued the STA sought by Chameleon for the Riceville School Road site, granting 1,000 watts day and 100 watts night operations for KIOX (KFCC).

Immediately upon grant of the STA, a group which included family, friends, employees, and volunteer programmers set about erecting the broadcast site for KFCC's temporary authority to operate in southwest Houston. By midday Sunday, May 7th, the transmitter had been placed in a portable building, necessary program lines had been established. The ground system and folded unipole had been installed on the tower, and KFCC had the ability to operate from the site. There had been no confidence that Salem would abide the terms of the temporary restraining order, and around the clock effort was made to bring the transmitter site to operational status. On Monday morning, May 8, 1995 at 6:00 am, the new site was turned on and KENR Management and Chameleon began simulcasting programming which was being fed to KENR on KIOX (KFCC). Programmers were informed that they should begin informing their listeners about the move to 1270 kHz and all programmers began taking such action. Both stations were identified properly at the top of each hour.

That same afternoon when the two sides met at the Harris County Courthouse, Salem's attorney approached Mr. Werlinger and Fisher and asked if a settlement might

be reached prior to the scheduled 1:30 hearing. Mr. Werlinger restated his Friday plan under which KENR Management would be allowed to continue its programming through May 19th, leaving the station to Salem thereafter and paying a per diem based upon \$20,000 for the full month.

Through several back and forth conversations, Salem stated through its attorney that it would accept such a compromise if KENR Management would be a fee of \$15,000.00 for the 19 days. After consultation with attorney Fisher, Mr. Werlinger agreed to pay the higher amount in order to remain a programmer through May 19th, giving his programmers time to make a reasonable transition from 1070 kHz to the new 1270 kHz location.

During the course of the negotiations, no mention was made by either Salem's counsel or by Jamie Clark, who was present, that Salem had any problem with Werlinger's stated goal of announcing on KENR that programming was moving to the new frequency. However, Clark informed Werlinger that one of KENR Management's clients, a Vietnamese language program which originated at the Vietnamese owned studios and was fed to the KENR Management studios via telco loop, had terminated their loop to the KENR Management studios on Friday, May 5th, and had re-established the loop to the Salem studios that same day. Mr. Clark assured Mr. Werlinger that Salem would place the program on the air from the Salem studios for the two weeks until May 19th, removing the telco feed from the KENR Management studios at exactly 2:00 pm, placing the Vietnamese program on the air and then returning KENR Management to the air at 6:00 pm.

Shortly after the conversation with Mr. Clark, both parties appeared before a state district court judge and entered the agreement into the court's records. Mr. Werlinger handed Mr. Clark a check in the amount of \$15,000.00 and returned to his offices to begin contacting programmers and informing them of the settlement. Over the next six hours, the more than forty programmers on the station were contacted and told a settlement leaving KENR Management's programming in place on KENR through Friday, May 19th had been reached and offering whatever assistance possible in assisting those programmers with the change.

As events over the next 24 hours would show, this was nothing more than another Salem trick. Actually, Salem had already contracted with the Voice of Vietnam (VOVN) for airtime commencing at 4:00 pm in the afternoon, not the 2:00 pm start under the KENR Management contract with VOVN.

In any event, this revelation that the Voice of Vietnam (VOVN) broadcast would be delivered to the Salem studios beginning that day was proof positive that Salem had indeed been tampering with KENR Management clients. Relocating a telco loop through Southwestern Bell takes 10 to 12 working days which means VOVN would have had to have placed their order to drop their loop to the KENR Management studios and establish the loop to the Salem studios some five miles away during the week of April 24 thru the

29th in order to have a working line on May 8th. VOVN needed and obviously received solicitation from Salem to make such a change.

Jamie Clark lied when he claimed Salem had not tampered with KENR Management's client base. His actions on behalf of Salem created the crisis in which KENR Management/Chameleon found themselves and they were to continue. They continue to this day.

Although KENR Management had often worked with VOVN on receipt of payment for its airtime, taking late payments and even reducing fees in order to keep the Vietnamese program on the air, the situation now was different. Werlinger told VOVN that payment must be received for May 1st thru May 19th or VOVN would not be allowed on the air. A VOVN spokesman assured Werlinger that payment would be forthcoming before noon. When the promised payment was not received by 12:45 pm, Werlinger called the Salem offices and asked to speak with Mr. Clark to inform him that VOVN would not be on the air that afternoon. Mr. Werlinger was informed that Mr. Clark was in a conference and could not speak with Werlinger just now.

At 2:00 pm, Salem removed KENR Management's programming from the air and commenced a simulcast of the Oliver North talk show with its sister FM (KJHT). Repeated calls from Werlinger to the Salem offices resulted in no response from Mr. Clark. KENR Management had been removed from the air in direct violation of an agreed court order reached and entered into state district court records less than one day earlier.

At 3:15 pm, Werlinger drove the five miles to the Salem offices where he received a one paragraph letter from Mr. Clark which stated that KENR Management was in violation of its contract with Salem as a result of its identifying another radio station on KENR and as a result, KENR Management was being removed from the air immediately. Following the end of the Oliver North Show, VOVN commenced programming in its new time slot on KENR.

No one can read the events which occurred during this time and come to any other conclusion than Salem Communications was exercising every means possible to destroy KENR Management/Chameleon. Only around the clock efforts on the part of virtually everyone involved prevented Salem's success in this enterprise. But, Salem was far from finished in its efforts.

With its loss of KENR as of 2:00 pm, Tuesday, May 9th, KENR Management was once again faced with going to its programmers to explain what had been intended to be a mortal blow by Salem. In the days that followed, only two other programmers followed VOVN to Salem, much to Salem's obvious dismay. Programmers reported repeated contacts from Mr. Clark offering a wide variety of inducements to secure their return to 1070 AM. It should be remembered that all the programmers with KENR Management had been on 1070 AM, the place to which Mr. Clark was now attempting to lure them.

back. And, with only a few exceptions, all decided to make the change with Chameleon Radio Corporation to KFCC. But again, Salem was not finished

On Friday, May 12th, John Vu contacted Mr. Werlinger by telephone and informed him that the Commission had received complaints regarding interference to KWHI at Brenham, Texas and as a result, he was reissuing the STA to reduce KFCC's power to 300 watts daytime and 50 watts at night. Mr. Werlinger asked Mr. Vu if the complaint had come from KWHI and whether they had been received at the Houston Field Operations Office of the FCC or in Washington. Mr. Vu replied that the complaints had been by telephone to the AM Branch in Washington and he was unsure of who was filing the complaints. He said he was simply responding to the protest.

The following Monday, Mr. Fred Lundgren, who had been acting as project manager on the STA construction project, telephoned Mr. Tom Whitehead, the licensee of KWHI to discuss what Mr. Lundgren assumed to be Whitehead's complaints. Mr. Whitehead told Mr. Lundgren that he was completely unaware of the STA operation of KFCC and that he personally had heard of no listener complaints regarding increased overlap between the 1270 kHz and 1280 kHz signals. He suggested; however, that his son, Mark Whitehead, who serves as the chief engineer for KWHI might know more.

Mr. Lundgren contacted Mark Whitehead at his office in Bryan, Texas. Mark Whitehead stated that he had been aware of some moves on the part of KFCC, but that he also had received no complaints from listeners. The conversations with both men were very cordial and both Tom Whitehead and his son, Mark, indicated they had filed no complaint.

Mr. Lundgren assured both men that Chameleon was working diligently to complete a form 301 request which would use a directional antenna to remove not only any potential new overlap between the two stations, but virtually eliminate any previously licensed overlap. Lundgren stated that Chameleon was keenly attuned to any potential problems the STA operation might cause to KWHI and offered to take steps necessary to remove potential problems.

Instead of talking to the licensee of KWHI, Chameleon should have suspected the by now familiar presence of Salem. After operating seven more days, on Monday, May 22nd, Chameleon received a fax from Mr. Vu ordering KFCC to cease operations at its STA site due to the lack of a city grade signal over KFCC's city of license, Bay City, (Mr. Werlinger would return later that week from Washington, D.C. to find Salem's protest in his mail).

It was only after very careful consideration that Mr. Werlinger made the decision to disregard Mr. Vu's order. The fact of the matter was KFCC continued to exist as it does now, to be the only outlet in Houston for dozens of international language programmers. At the time of Mr. Vu's order, the Voice of Greece program was promoting the city's largest ever Greek cultural concert, an annual event in other large cities which features

bands and performers from Greece on tour in the U.S. It is also an event which, until this year when radio promotion was possible, had not made a stop in Houston, Texas. Other programmers such as Radio South Asia were planning cultural events. The topic of Sanatan Hinduism was covering the completion of a new Hindu worship center, and the list went on. In its opinion, Chameleon's responsibilities to its programmers outweighed the potential adverse consequences of not complying with the May 19th letter rescinding the STA.

At 6:00 am Tuesday, May 22nd, Mr. Werlinger boarded an airplane for Washington, D.C., his mission to convince whomever he needed to convince at the FCC that the order rescinding the STA must be overruled. Following the chain of command, Werlinger met first with John Vu and his immediate supervisor prior to being introduced to AM Branch Chief James Burtle. In his meeting with Mr. Burtle in which he pointed out that a large number of currently operating AM STA's do not cover their respective cities of license with 5 mV/m contour and are yet allowed to continue to operate, Mr. Werlinger attempted also to point out that the 1000 watt STA came much closer to placing the required signal over Bay City than does the 300 watt STA. Mr. Burtle refused alter the decree to cease operation from the STA site.

Werlinger then turned to Audio Services Division Chief Larry Eads with whom he met on Thursday, May 25th. In his half hour long conversation, Mr. Werlinger explained many of the details of this letter including the fact that, at closing, Chameleon Radio Corporation leased the property in Bay City back to Landrum Enterprises, Inc. for purposes of operating KIOX-FM from the site. Mr. Werlinger explained it had never been the intention of Chameleon to continually operate from the Bay City site inasmuch as the original plan for KIOX (KFCC) was to relocate the transmitter site north and east of Bay City. The result of the conversation was an action by Mr. Eads staying the effectiveness of the May 19th order.

Meanwhile, back in Houston, Jamie Clark was making repeated calls to several KENR Management/Chameleon clients assuring them that KFCC would be off the air "in just a few hours," and exhorting them to purchase airtime back on KENR "while there is still space left for you." It should be noted that only secular programmers were contacted. None of the programmers on the station which represented religious beliefs other than Christian ever reported being approached by Salem.

In Washington, Mr. Werlinger left Mr. Eads' office stating first, that an application to make the transmitter site used in the STA a permanently licensed site would be forthcoming within a week; second, that the application would specify a 10 kw operation for KFCC and finally that he, Werlinger, knew of no objection to the STA site on the part of the licensee of KWHI in Brenham, Texas.

The form 301 request in fact, eleven weeks from being filed due mainly to the inability of Chameleon to secure a suitable site within the Addicks Reservoir for the night array. Though the cooperation of the Army Corps of Engineers was forthcoming, the

efforts to reach an agreement on a site inside the reservoir did not bear fruit. Urbanization in all areas immediately surrounding Addicks prevent a site nearby.

The form 301 was also delayed by the fact that in spite of its initial reaction to the KFCC STA, the licensee of KWHI had a change of mind and filed an objection to the STA operation. As it had its application and exhibits originally prepared, KFCC was prepared to propose a 10 kw daytime operation. Most, but not all of the currently licensed overlap between the two stations would have been eliminated by the 10 kw directional operation of KFCC. However, in fulfilling its verbally expressed commitment to Mr. Whitehead to respond to their concerns and following consultation with KWHI technical consultant John Furr of John Furr and Associates, the antenna system was redesigned and the power dropped to the 2.5 kw operation now proposed in the currently pending Chameleon application. Mr. Furr has received a copy of the currently pending application and he has indicated his review of the proposed facility shows virtual elimination of the .5 mV/m overlap between the two stations.

The enclosed documents clearly show Chameleon Radio Corporation was the licensee of KFCC when it made its initial request for STA. Closing occurred on April 20, 1995. Also enclosed is a copy of the lease agreement with option to purchase the land on Riceville School Road in rural Harris County, Texas upon which the current STA site and proposed permanent site now sits. That document was executed April 20, 1995.

It has been demonstrated in this correspondence, that it had been Chameleon's intention to make technical changes in KFCC through the routine course of filing a form 301 request and then constructing the approved facilities in time to be on the air prior to the termination of its one year LMA with Salem. But, a set of events occurred which simply made such action impossible. Faced with a ceaseless onslaught from Salem, Chameleon had no choice but to act quickly and decisively, making creative use of whatever rules presented themselves in order to save both its business and the outlet it had created for the international community in Houston to communicate with itself through free mass communication.

Salem has continually shown it will do virtually anything to reach its goal. It will make and then disregard any commitment including those made in district court, make any representation to Chameleon programmers it wishes to lure away whether true or not including tampering with those clients in direct violation of contractual commitments to the contrary, and complain about interference allegedly caused to radio stations in which it has no ownership interest.

Salem in fact, has no standing in the current STA extension request. It has no ownership interest in either KWHI, Brenham, Texas or KESS, Fort Worth, Texas; therefore, any question of prohibited overlap would in no way effect a Salem owned radio station. None of the principals with ownership interest in Salem live in Houston, Bay City, Brenham, Fort Worth, or KFCC's proposed city of license, Missouri City. In fact, none of Salem's principals even live in the state of Texas.

The proposed changes in KFCC in no way effect Salem's KENR facilities (KENR operates on 1070 kHz, KFCC on 1270 kHz). Salem's only interest in the current situation is that of a competitor who has thus far been thwarted in its efforts to destroy first KENR Management and now Chameleon, actions which face challenge in district court.

If ever there was an example of strike activity on the part of a licensee, Salem's activities represent a text book case. Salem first set up a situation in which it was victim was forced to take dramatic steps to save itself from destruction and then it was Salem who cried foul when those steps were taken. Salem is without technical standing to interject itself into the current situation. Neither the current STA operation nor the proposed changes in the KFCC facilities create any technical impact on Salem owned facilities. Therefore, in its continuing litany before the Commission, Salem is attempting to use the Commission's rules to stifle competition. With its activities in the marketplace, Salem calls into question its own character and openly invites an examination of its qualifications to be a licensee. Salem is blatantly engaged in strike activity and should be held accountable for same.

With regard to overlap to KWHI, the currently operating KFCC STA site (300 watts non-directional) operation reduces the overlap of the 0.50 mV/m contours of the two stations by more than 50%; therefore, it is not possible to arrive at the conclusion that KWHI is being damaged by KFCC's STA operation. Additionally, if ever there was a meritorious proposal for decreasing grandfathered overlap, the currently pending KFCC application provides that example.

As currently licensed, KFCC and KWHI endure approximately 1,785 square miles of overlap between their respective .5 mV/m contours. KWHI's .5 mV/m is licensed to receive 3,465 square miles of overlap from the .25 mV/m contour produced from the licensed KFCC site at Bay city and KFCC is licensed to receive 5,123 square miles of overlap to its .5 mV/m contour from the .25 contour of KWHI.

In KFCC's current proposal, the daytime directional array would generate no new overlap between the .5 mV/m contours of the two stations. Rather, as proposed the currently licensed .5 mV/m overlap would be reduced to approximately 149 square miles (from 1,785 square miles as noted above), a reduction of 91.65% from currently licensed .5 mV/m overlap.

Additionally, the KWHI .5 mV/m contour would receive 83.6% less overlap from the proposed KFCC .25 mV/m contour (3,465 square miles now vs 568 square miles as proposed). KFCC's received overlap .5/.25 mV/m would be reduced by 65.33% (5,123 square miles vs 1,775 square miles as proposed).

Even with its limited 300 watt day/50 watt night STA operation, KFCC continues to serve as a platform for international language programmers as does no other radio station in the Houston area. In fact, with its southwest side transmitter location, KFCC provides an interference free signal to several international enclaves which do not receive such service from KENR on 1070 kHz. The result is that KFCC remains a viable, and in many cases, the only broadcast alternative. In fact, the recent purchase and format change of KMPQ AM/KLTO FM in suburban Rosenberg resulted in the deprivation of programming to the Central and South American communities of southwest Houston. Though nearly a dozen stations in Houston provide programming to the Mexican-American community, only the programming on KMPQ/KLTO served the much smaller but still well represented Guatemalan, Costa Rican, Honduran, and El Salvadoran communities. No fewer than five of those programmers have now migrated to KFCC as well as programmers serving the Peruvian and Argentinean communities of South America.

And, it cannot be argued that programmers removed from the air by KFCC's loss of its STA would find another home elsewhere in the market. Salem does not covet the Islamic teachings represented by Radio South Asia's 'World Religion Day' broadcast and it obviously has no interest in the Hindu and Buddhist teaching represented in other KFCC programming. While no doubt, several of KFCC's secular, English language talk programs are of prime interest to Salem, the numerical majority of KFCC's programmers would have no place take their programming absent KFCC.

The conclusion to be drawn from all these circumstances is that, while KENR Management/Chameleon have gone to the "outer limits" in dealing with the Commission's rules regarding Special Temporary Authorization, each was only reacting to the predatory and destructive activities of Salem. The loss not once, but twice in less than six months of an LMA presented an extraordinary circumstances. Remaining patient under such circumstances would have guaranteed the destruction of an otherwise viable and profitable enterprise providing a needed service to a series of minority communities previously completely neglected in the market.

The argument that KFCC's STA sets a dangerous precedent is also to be rejected. Chameleon's activities resulted in the maintenance of unique and needed broadcast outlet in one of the nation's largest markets, not to mention providing the economic survival of yet another AM station which had previously produced no method of income necessary to sustain itself.

Finally, KFCC's proposed technical changes improve the first adjacent overlap problem with KWHI to the point of nearly eliminating all .5 mV/m overlap between the two stations. In addition, the proposed change in the city of license to Missouri City, Texas will provide one of the fastest growing communities in the southwest part of the nation with its first locally licensed broadcast station. As a result, KFCC's application deserves immediate study and quick action by Commission staff. In the meantime, KFCC should be allowed to continue to provide the service to the international

community it has been serving for more than a year through its predecessor Management Company and now through Chameleon Radio Corporation. ENR

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Don Werlinger", written over a horizontal line.

Don Werlinger, President

Narrative On KENR/KFCC Operations Under KENR Management Company, Inc. and Chameleon Radio Corporation

Exhibit: 1

On April 1, 1994, KENR Management Company, Inc. entered into a five year Time Brokerage Agreement with Susquehanna Radio Corp. to provide 24 hour a day programming on Susquehanna's KENR AM (1070 kHz, 10 kw - Day, 5 kw - Night) in Houston. The station had been simultaneously broadcasting with Susquehanna's KRBE FM (104.1 MHz, 100 kw) for almost all of the nine years Susquehanna had owned the station. Under such arrangements (commonly referred to in the industry as LMA's), the time broker pays a set fee each month for all the airtime on the radio station and then has the right to program and market time as it sees fit. Although a five year contract is common, Federal Communications Commission Rules regarding retention of licensee control require that the licensee retain an option to terminate the contract for any reason within not more than 90 days notice. The LMA between KENR Management Company and Susquehanna contained such language.

After studying the market, KENR Management discovered there was virtually no radio outlet for the international community in Houston. African American and Hispanic groups which represent the largest segment of minorities in Houston had numerous outlets, but more than two dozen Asian, African, European, and South and Central American communities were totally unserved by commercial radio. As a result of its study, KENR Management began its programming by offering blocks of airtime to all ethnic groups in the community as well as groups with opinions which did not routinely have an outlet in the community.

Within six months, KENR Management had attracted more than forty programmers representing eleven different languages from five different continents. The groups with programming on the radio station (through KENR Management's Time Brokerage Agreement) included:

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|------------|----------|-------------|----------|
| Greek | Indian | Pakistani | Nigerian |
| Philippine | Iranian | Argentinean | Russian |
| Vietnamese | Peruvian | Cuban | Hindu |
| Islamic | Romanian | Sri Lankan | |

In addition, a number of other English speaking programs were on the air including programs on nutrition and alternative health which had never been represented in the market. Through KENR Management Company's programming, 1070 AM became the only commercial broadcast outlet for the international community in one of the nation's ten largest metropolitan areas. However, in November 1, 1994, Susquehanna Radio reached an agreement to sell KENR to Salem Broadcasting, one of the nation's largest operators of Christian formatted radio stations. Susquehanna Radio gave KENR Management Company, Inc. a formal 90 day notice that as of February 6, 1995 (which was later extended to March 3, 1995), its Time Brokerage Agreement with KENR Management would be terminated (Note: At the same time, Salem agreed to purchase Houston FM KKZR (106.9 MHz) from US Radio giving Salem an AM and FM in the market).

The announcement of the sale of KENR came as a complete shock to KENR Management Company. It had entered into a five year LMA with Susquehanna. Irrespective of the ninety day cancellation clause mandated by FCC rules, Susquehanna gave KENR Management assurances that no sale of the station was anticipated. In fact, Susquehanna entered into the LMA only after spending several months soliciting bids for the station and having received none it wished to accept, decided to enter the time brokerage agreement. The principals of KENR Management Company invested virtually all of their assets into the Houston venture and would never have done so for a six month deal.

Nevertheless, when word of the sale was received (the evening before it was announced in Houston newspapers, incidentally), KENR Management immediately began taking steps to secure its future and those of its programmers. It began seeking another broadcast outlet and entered into negotiations with Salem Broadcasting regarding a limited extension of its original Susquehanna

agreement. KENR Management received repeated assurances from Salem that as the new licensee of KENR, Salem was interested in continuing a time brokerage agreement with KENR Management. Through its manager in Houston, Salem indicated that it would need time to place its talk religious format on KKZR (now KKHT FM) and would be happy to enter into a time brokerage agreement on the AM for a limited period of time thus allowing Salem to concentrate on programming its FM.

Salem and Susquehanna consummated their transaction on March 3, 1995 (Note: Salem also consummated the purchase of KKZR FM from US Radio the same day). On March 6, 1995, Salem (doing business in Houston as South Texas Broadcasting, Inc.) entered into a one year Time Brokerage Agreement with KENR Management Company, Inc. The Time Brokerage Agreement was almost identical to the one KENR Management had with Susquehanna with three exceptions:

1. A one year term instead of the original five year term with Susquehanna;
2. either party could exit the contract on 30 days notice to the other without penalty;
3. Management was to pay each month (\$20,000.00 a month vs. \$15,000.00 a month in the contract).

However, prior to entering the one year LMA with Salem, a series of meetings occurred between KENR Management and Salem representatives. At one such meeting in December 1994, Salem indicated through its Houston Manager (Jamie Clark) it might be interested in purchasing KENR Management's contracts with its programmers, but the negotiations ended when Salem's manager reviewed KENR's list of programmers and indicated that Salem would be placing mostly christian programming on the AM when they consummated their purchase of the station and would not have a place for the vast majority of KENR Management's programmers.

On several occasions during these discussions and later, Mr. Clark suggested that Werlinger's best option would be to abandon hope of finding another station and instead work for Salem as an independent contractor receiving a monthly "stipend" and a commission for bringing all his programmers to Salem. Each time the offer was made, Mr. Werlinger politely declined and assured Mr. Clark that he would find another station.

After a thorough engineering search, KENR Management discovered that KIOX AM (1270 kHz, 1,000 watts Day/Night) in Bay City, Texas was both available for purchase and that the station would technically fit the FCC's criteria for a transmitter site near Houston. KIOX was a sister station to KIOX FM (96.9 MHz, 100,000 watts) licensed to El Campo, Texas and spent all its time either simulcasting with the FM or airing the audio portion of CNN Headline News. Following negotiations through a local media broker, the principals of KENR Management Company, Inc. formed Chameleon Radio Corporation in February, 1995 and entered into a contract to purchase KIOX AM. Chameleon was confident that, with its contract with Salem through February, 1996, it would have time to make the changes necessary in KIOX to move its transmitter site to Houston. The application to purchase KIOX was filed with the FCC on February 16, 1995 and approved on April 20, 1995. The purchase was consummated on April 22, 1995.

As previously mentioned, Salem commenced its ownership of KENR on March 3, 1995 and entered its one year agreement with KENR Management Company on March 6. For the programmers on KENR, nothing had changed. Between the first week in March and the first week in April, KENR Management had virtually no contact with Salem.

KENR Management's relationship with Salem began very cordially and remained so through March and into April, 1995. On Thursday, April 5, 1995, KENR Management Company resident Don Werlinger met Salem's general manager Jamie Clark at Salem's Houston office. The discussion centered on Salem's recently acquired FM and on KENR Management's outlook for the future. Mr. Clark indicated that as far as he was concerned, his hands were full with programming KKHT and that KENR Management had plenty of time to secure a new frequency for its programmers. Mr. Werlinger informed Mr. Clark that his company anticipated the consummation of the purchase of KIOX 1270 AM before the end of April and that his company would be making moves to relocate the KIOX transmitter site with a hoped for completion of the project by the end of the summer. Although Mr. Werlinger had repeatedly told Salem he would be moving to another station, Mr. Clark seemed surprised by Mr. Werlinger's information. Just the same, Mr. Clark indicated that the timeline for such a move would be with Salem's plans.

On Friday, April 6, 1995 Mr. Clark wrote (and Mr. Werlinger received on Monday, April 9, 1995 by first class mail) a one sentence termination notice. The notice stated Salem would terminate its one year contract with KENR Management as of midnight, May 6, 1995. The termination letter did not meet terms prescribed in the Time Brokerage Agreement because it was not signed by an officer of the corporation nor was it delivered in the prescribed manner (that being either hand delivered or Federal Express). KENR Management viewed the letter as Salem's intent to terminate the certified mail, but not as a formal notice per terms of their agreement. KENR Management decided to wait for further communication from Salem before responding to the letter.

The letter was a complete reversal from Mr. Clark's conversation with Mr. Werlinger on April 5th. The only conclusion Mr. Werlinger could draw was that Salem was attempting to put in place before he could construct a new transmitter site for KIOX, thus leaving Werlinger with no place to be on the air except with Salem. In this way, Salem could cherry pick Werlinger's programmers without compensating him.

Fearing this worst case scenario, KENR Management's sister company Chameleon Radio Corporation intensified its efforts to make a move to KIOX. It secured a transmitter site for the station in rural Harris County near the Fort Bend County line and began engineering the transmitter site. Immediately upon closing the purchase of KIOX on April 20th, Chameleon sought from the FCC authority to relocate a 1,000 watt non-directional antenna at the new location. That authority was granted by letter dated May 5, 1995 giving Chameleon authority to relocate KIOX upon the provision that an application to make the site a permanently licensed site would be forthcoming. It had always been Chameleon's intent to make the site permanent with a power of 2,500 watts and work on the engineering for the new operation immediately after the new site went on the air.

On April 28, 1995, Salem finally communicated with KENR Management Company concerning its April 6th termination letter. During that conversation, Mr. Clark indicated that Salem wanted to "make certain your clients are taken care of." This statement was a clear indication that Salem's only reason for sending the unofficial termination letter was that it wanted to raid KENR Management's client base.

Mr. Werlinger responded to Mr. Clark that KENR Management did not regard Salem's letter as proper notice under terms of the contract. Mr. Clark disagreed, stating that Mr. Werlinger was simply engaging in "semantics." Mr. Werlinger, anticipating that Salem would disregard his position and terminate on May 6th, decided to send his own termination letter effective May 31st. He informed Mr. Clark that KENR Management Company had decided to terminate the contract as of May 31, 1995 and that Salem would receive proper notice at its Camarillo, California offices on Monday, May 1, 1995. Mr. Clark said Mr. Werlinger would be hearing from his company immediately. Mr. Werlinger indicated he regarded KENR's notice of termination as of May 31st both legal and proper under the terms of the contract and he planned to continue to program through the end of May.

On Monday, May 1, 1995, notice was received at the Salem offices in California informing the company of KENR Management's termination of the contract; however, KENR Management Company did not receive any communication from Salem until Thursday, May 4th when a KENR Management Company programmer indicated to a KENR Management employee that it had been solicited by Salem for program time on KENR commencing on Monday, May 7th. The programmer indicated Salem had told them KENR Management would be off the air as of midnight, Saturday, May 6th. Mr. Werlinger immediately contacted Mr. Clark by telephone and instructed him that under the terms of the LMA, Salem was engaging in an illegal activity by tampering with KENR Management Company's customers. Mr. Clark categorically denied the tampering and stated that he had talked to "none" of the programmers. He also restated Salem's intent to terminate KENR's programming at midnight, Saturday, May 6th, ignoring the fact that KENR Management Company had not received proper notice and ignoring KENR's notice to Salem for a May 31st termination.

A decision was made to legally enjoin Salem from canceling KENR Management's agreement. It was decided to ask a district court for a Temporary Restraining Order. On Friday, May 5th, in Texas State District Court, District Judge Katherine Kennedy issued a Temporary Restraining Order restraining Salem from "pulling the plug" on KENR Management until a formal hearing could be held.

At the emergency hearing on May 5th, KENR Management Company was represented by its corporate counsel Ray Fisher who had contacted Salem to notify them of the court proceeding; however, no one was at the courthouse to represent Salem. Judge Kennedy satisfied the representation requirement for Salem by personally contacting Mr. Clark by telephone and interviewing him regarding the matter. By the end of the hearing, Judge Kennedy had issued the TRO and set a hearing on the evidence for 1:30pm, Monday, May 8th.

Following the hearing, Mr. Werlinger went to the offices of Salem in Houston and met with Mr. Clark offering to "split the difference" between May 8th and May 31st (22 days). Mr. Werlinger offered to take 11 days and surrender 11 days to Salem, paying the daily rate of \$645.16 (\$12,250.06 total) for the nineteen days in May. Mr. Clark responded that Salem would be willing to accept a total payment of \$25,000.00 for the nineteen days but would be unwilling to accept anything else. Mr. Werlinger responded that KENR Management would be unwilling to pay that much and would opt to take its chances in district court on Monday, May 8th.

The same day, May 5th, the FCC issued Chameleon Radio Corporation a Special Temporary Authorization (STA) for its Harris County site, granting the requested 1,000 watts daytime and 100 watts at night (Chameleon had requested 250 watts at night) from the site.

Chameleon felt secure that it would prevail in the May 8th hearing; however, within the hour, Mr. Werlinger and staff went to work to get the 180 foot tower constructed and ready to go on the air. Working nonstop, the Chameleon crew had the tower in the air by 8:30 pm, Saturday, May 6th and a 100 watt transmitter operation ready to go on the air by noon on Sunday, May 7th. By noon on Monday, May 8th, the 1,000 watt transmitter was on the air and Chameleon Radio (formerly KENR Management Company) programmers were on the air on 1070 AM KENR and on 1270 AM KIOX (the call sign has since been changed to KFCC).

Prior to the hearing in Judge Link's Ancillary Court on Monday, May 8th, the attorney for Salem met with Mr. Werlinger and his attorney, Ray Fisher and asked if there was a compromise which could be reached in order to forego the hearing. Mr. Werlinger responded that his offer of Friday, May 5th remained and offered to split the 22 days. After further discussion, Salem's attorney responded that Salem would be willing to accept the offer, but under the same terms as Werlinger had rejected on Friday. After another couple of rounds, Salem offered to split the 22 days for a total of \$15,000.00. After consultation with his attorney, Mr. Werlinger agreed. The two parties presented the agreement to Judge Link at approximately 2:00 pm and entered the agreement into the court records. In exchange for a total payment of \$15,000.00, Salem would allow KENR Management Company to program on KENR until midnight, Friday, May 19, 1995. Mr. Werlinger presented Mr. Clark with a check in that amount prior to leaving the courthouse.

At that point, KIOX (KFCC) was on the air and KENR Management Company programmers were programming on both 1070 kHz, and 1270 kHz. As the parties left the courthouse, Mr. Clark told Mr. Werlinger that KENR Management's Vietnamese programmer (The Voice of Vietnam) had made a decision to remain with Salem after the termination and had already dropped their dedicated broadcast line to the KENR Management Company offices and had instead, installed a broadcast line to the Salem studios on Savoy Road. As a result, Mr. Clark indicated VOVN would air its programming (2:00 pm till 6:00 pm Monday - Friday) from Salem's offices for the two weeks remaining in the agreement. Under such an arrangement, Salem would take control of the program line at 2:00 pm each day, insert the VOVN program until 6:00 pm, and then return control of the line to KENR Management Company at 6:00 pm. Inasmuch as it takes up to two weeks for the telephone company to make such a change in broadcast loops, there was no question that Salem had been tampering with KENR Management's customers prior to May 5th. VOVN had been the customer which refused to pay its airtime bill after indicating the previous week that it knew of the attempt by Salem to terminate KENR Management and had paid as much as \$11,800 per month for its four hour daily program; thus, the loss to KENR Management Company (Chameleon) totaled over \$120,000 per year and over \$500,000 over the remainder of the five year contract.

On Tuesday, May 9th, Mr. Werlinger notified VOVN that unless it paid its airtime bill through May 19th, he would refuse to allow the programmer to air its program that day. He was assured repeatedly by a VOVN representative that payment would be made prior to 2:00 pm; however, when 2:00 pm arrived and payment from the Vietnamese programmer did not, Werlinger instructed Salem by telephone not to air the VOVN program. Salem didn't begin the VOVN program at 2:00 but it did take control of programming, effectively pulling the plug on KENR Management. At 3:10 the same afternoon, Mr. Werlinger was in the lobby of Salem's offices demanding to know why Salem was violating terms of an agreement reached in state district court just 24 hours earlier. At 3:00 pm, Mr. Clark entered the lobby and handed Mr. Werlinger a letter indicating that Salem considered KENR Management Company in violation of its contract for supposedly violating FCC rules on station identification and was therefore, immediately terminating the LMA contract. This action of course, violated several articles in the agreement and violated the court order.

Mr. Werlinger and his staff had spent the previous afternoon and evening contacting more than forty programmers on the station and informing them they had two weeks to promote the change of frequency on both radio stations. However, less than 24 hours later, those same programmers had to be contacted again and told there would be no two week transition. Each programmer was offered deep discounts on their programming rates in an attempt to compensate them for their losses due to the premature move. To their credit, all but one of the programmers agreed to stay and make the immediate transition to the new frequency.

The staff which had placed the 1270 kHz facility on the air now turned its attention to completing necessary field data on the new transmitter site.

On May 12th, Mr. Werlinger received a call from John Vu of the FCC's AM Branch. Mr. Vu indicated his office had received several complaints concerning interference between KFCC's new site and that of KWHI in Brenham, Texas. Mr. Vu indicated he would be taking a second look at the STA and would probably be sending a letter ordering the station to reduce its power from 1000 watts to 300 watts (a letter to that effect was sent via fax later in the day). When asked who had filed the complaint, Mr. Vu indicated the complaints had been via telephone calls only and he had received nothing in writing.

Expecting the complaints had come from KWHI's licensee, Mr. Werlinger decided to contact Tom Whitehead, the owner of KWHI regarding any concerns he might have with the move. Mr. Whitehead indicated in a phone conversation with Fred Lundgren of KFCC's staff he had no knowledge of KFCC's move, and had received no complaints from listeners, and had filed no complaint with the FCC. This of course, led to the inevitable conclusion that the complaints had come from Salem, although at this point there was no proof.

During the next several days, the KFCC staff worked diligently to solidify the move to 1270 kHz and to ease any problems programmers were having with the change. Then on Monday, May 22nd, at 3:45 pm, KFCC received another fax from John Vu. This fax stated that further study showed that with only 300 watts, KFCC did not cover its city of license (Bay City) with the required 5.0 mV/m in city grade contour and ordered Chameleon to cease operations from its new site. Needless to say, this correspondence came as a complete shock. After very quick deliberations, it was decided that Mr. Werlinger should travel to Washington and personally argue the case against turning off the STA site. It was also decided to leave the site on the air while Mr. Werlinger was in Washington.

Mr. Werlinger arrived in Washington the following day and was at the offices of the FCC on M Street by 3:00 pm. He met with Commission staffers John Vu, Kim Sung, and AM Branch Chief James Burtle. Mr. Burtle told Mr. Werlinger that his staff had erred when it allowed Chameleon to move KFCC. He stated that "the phones have been ringing off the wall" with complaints and categorical statements, "this situation could cost me my job."

Mr. Werlinger replied that he had received no copies of any complaints having been filed on the matter and that he had been in contact with the only other radio station (KWHI) which might be effected by the KFCC site change and at that time, the licensee of that station had no complaint with the move.

Mr. Burtle ignored this response. He was adamant, stating that KFCC must cease operations at its new site immediately and find another site near Bay City. Mr. Werlinger again asked about the source of the complaints. Mr. Burtle stated they had come by telephone adding, "but, that doesn't matter. You've got to get your butt back to Bay City. That's all that matters." Mr. Burtle also added, "This thing has already hit the press. I know how much water is behind the dam. You're trying to move a new station into Houston and if I let you do it, everyone will be wanting to do it."

It was clear to Mr. Werlinger that Mr. Burtle felt his staff had made an error in allowing the move on an STA basis and that he feared numerous applications by other broadcasters to make similar moves into other large markets if the STA were allowed to stand. Mr. Werlinger attempted to explain that Houston's largest group of international language programmers would be put off the air if the STA were canceled. He reminded Mr. Burtle that many of the STA operations currently on the air in the AM band do not place the required 5 mV/m city grade contour over their respective cities of license. None of that mattered to Mr. Burtle. The meeting ended with Mr. Burtle directing Mr. Werlinger to return to Houston, and to immediately find a location near Bay City from which to broadcast.

Mr. Werlinger left Mr. Burtle's office and went to the office of Larry Eeds, chief of the Audio Services Division at the FCC and Mr. Burtle's immediate supervisor. Mr. Eeds was out for the remainder of the day so Mr. Werlinger indicated he would return the following morning. On Wednesday, Mr. Werlinger attempted to see Mr. Eeds on three different occasions and was eventually told to return at 11:00 am on Thursday for a meeting.

On Thursday May 25th, Mr. Werlinger met Mr. Eeds. During a 45 minute conversation, Mr. Werlinger relayed the contents of this Narrative. Mr. Eeds responded by offering an immediate stay to the order which had previously rescinded the STA.

Upon returning to Houston, Mr. Werlinger found in his mail a copy of a complaint filed against Chameleon by Salem Broadcasting with the Federal Communications Commission. It became very clear that Salem was telephoning anonymous complaints to the Commission regarding KFCC's new site.

Salem Broadcasting does not operate any facility which might receive interference from KFCC, nor does it have a facility licensed to Bay City, nor do any of the principals of Salem live in Bay City (or the entire State of Texas for that matter). Salem's actions at the FCC are purely an attempt to restrain Chameleon from doing business. At the FCC, such activities are referred to as "strike" actions.

CONCLUSION

In the space of a year, the principals of KENR Management Company, Inc. (the same as those in Chameleon Radio Corp.) placed all their assets in a binding, five year contract with Susquehanna Radio Corp. This contract was lost through the sale of the station to Salem Broadcasting. After the loss, KENR Management decided to find its own radio station.

KENR - Chameleon overcame every obstacle and even managed to place a new facility on the air in the matter of just a few hours in the face of losing a second LMA. In short, in spite of losing two binding time brokerage contracts within a year, Chameleon has survived and thrived. It has only sought the opportunity to go on its unimpeded way. Salem Broadcasting has made every attempt to eliminate that opportunity and has used the Federal government (The FCC) to interfere with Chameleon's business. This is an abuse of the regulatory process.

Exh. Lit 6, P. 1

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "**Lease**") is made and entered into effective as of the 30th day of April, 1995 by and between **CHAMELEON RADIO CORPORATION**, a Texas corporation (the "**Lessor**") and **LANDRUM ENTERPRISES, INC.**, a Texas corporation, (the "**Lessee**").

WITNESSETH:**L**

Pursuant to that certain Assignment of Lease executed of even date herewith, Lessor succeeded to the interest of Lessee as lessee of that certain tract of land located in Matagorda County, Texas, as more particularly described in **EXHIBIT A** attached hereto and made a part hereof for all purposes (the "**Land**"). There is located on the Land a radio studio building (the "**Building**") and certain other improvements which were sold by Lessee to Lessor pursuant to that certain Special Warranty Deed with Vendor's Lien (Improvements Only) of even date herewith. The Land and the Building together constitute the Leased Premises hereunder. In addition, Lessee has retained ownership of certain improvements located on the Land consisting of a 120' STL microwave tower and a 12' satellite receiving dish and antennae (the "**Additional Property**"). The Additional Property does not constitute part of the Leased Premises. However, this Lease establishes particular obligations of Lessee and rights of Lessor with respect to the Additional Property. Lessor hereby leases to Lessee, and Lessee leases from Lessor the Leased Premises and grants an exclusive license to Lessor to use portions of the Land for the location of the Additional Property subject to the terms and conditions hereof.

Exh. 6, P. 2

II.

The term of this lease shall commence on the 1st day of ^{May} April, 1995, and shall terminate on the 21st day of August, 1998, unless sooner terminated as provided herein.

III.

(a) Lessee shall pay to Lessor as the base rental for the Leased Premises during the term hereof monthly installments of \$625.00 each, on the 1st day of each month during the term hereof commencing on the 1st day of May, 1995. All rental and other amounts of money to be paid by Lessee to Lessor shall be payable to Lessor at the address designated in Article XVIII hereof.

(b) The aforesaid base rental amount shall be subject to increase in the event that the base rental amount payable by Lessor to the owner of the Land pursuant to the Ground Lease (as defined below) is increased. In the event of any such increase in rent payable by Lessor under the Ground Lease, Lessor shall give to Lessee written notice of each such increase. Lessee's rent hereunder shall be increased to the extent that Lessor's rent is increased under the Ground Lease. The aforesaid rental amount shall be in addition to the payment and performance by Lessee of all additional obligations imposed on and assumed by it herein.

(c) If the term of this Lease commences on other than the first day of a calendar month, then the installment of base rental for such month shall be prorated and the installment so prorated shall accrue and be paid on the first day of the next calendar month after the Lease term commences. The payment for such prorated month shall be calculated by multiplying the rental by a fraction, the numerator of which shall be the number of days of the Lease term occurring during said commencement month and the denominator of which shall be the total number of days occurring in said commencement month.

EX 16, P.3

IV.

Lessee shall use the Leased Premises for the purpose of conducting thereon a radio broadcast business and all activities incidental thereto. Lessee shall not be entitled to use the Leased Premises for any other purposes or purposes without the prior written consent of Lessor.

V.

(a) Lessee, at its expense, shall comply with all federal, state, municipal and other laws, ordinances, rules and regulations applicable to the Leased Premises and the business conducted thereon by it. Lessee shall further comply with all reasonable regulations as Lessor may require regarding matters of sanitation and cleanliness. Lessee shall not conduct its business on the Leased Premises in such a manner which could cause the hazard insurance coverage of either Lessor or Lessee with respect to the Leased Premises to be cancelled; will not make any unlawful use of the Leased Premises and will not conduct its business on the Leased Premises in such a manner as to create a violation of any law or ordinances; and will not commit or allow to be committed any act on or about the Leased Premises which is a nuisance to Lessor, the owners of adjacent property, those persons in the general vicinity at the Leased Premises or which might tend to injure the Leased Premises.

(b) Lessor, at its expense, shall comply with all federal, state, municipal and other laws, ordinances, rules and regulations applicable to those portions of the Leased Premises to be occupied by Lessor in the conduct of its business.

VI.

Water is presently made available to the Building by a water well existing thereon. Lessor shall be obligated to maintain and repair such well at its sole expense, and Lessee shall not have any responsibility with respect thereto. In the event Lessee

Exhibit, P. 4

receives water from a different source, Lessee shall pay for such service directly to the supplier thereof.

VII.

(a) Lessee will use all reasonable efforts to not permit any mechanic's lien or liens to be placed upon the Land, the Building, the Additional Property or any other property placed by Lessee on the Leased Premises. If a mechanic's lien is filed on the Land, the Building, the Additional Property or any other property of Lessee located on the Leased Premises, Lessee will promptly pay the lien. If default in payment of the lien continues for thirty (30) days after written notice from Lessor to Lessee, Lessor may, at his option, pay the lien or any portion of it without inquiry as to its validity. Any amount paid by Lessor to remove a mechanic's lien filed against the Land, the Building, the Additional Property or any other property of Lessee located on the Leased Premises, including expenses and interest, shall be due from Lessee to Lessor and shall be repaid to Lessor immediately upon delivery of written notice, together with interest at the rate of ten percent (10%) per annum until repaid.

(b) Lessor will use all reasonable efforts to not permit any mechanic's lien or liens to be placed upon the Land, the Building or any other property placed by Lessor on the Leased Premises. If a mechanic's lien is filed on the Land, the Building or any other property of Lessor located on the Leased Premises, Lessor will promptly pay the lien. If default in payment of the lien continues for thirty (30) days after written notice from Lessee to Lessor, Lessee may, at his option, pay the lien or any portion of it without inquiry as to its validity. Any amount paid by Lessee to remove a mechanic's lien filed against the Land, the Building or any other property of Lessor located on the Leased Premises, including expenses and interest, shall be due from Lessor to Lessee and shall be repaid to Lessee immediately upon delivery of written notice, together with interest at the rate of ten percent (10%) per annum until repaid.

E-7 L. 6, P. 5

VIII.

Lessor shall, at its own expense, keep the Building and all other improvements owned by Lessor now or hereafter located on the Leased Premises and all appurtenances thereto, including the heating, air conditioning, electrical and plumbing system, in reasonably good repair and safe condition.

IX.

(a) Lessee shall permit and allow Lessor or his representatives in and upon the Leased Premises from time to time upon reasonable advance notice to inspect the same and make such repairs to the Building as Lessor shall deem necessary for the proper protection and preservation thereof. Lessor shall make any required repairs to the Leased Premises within ten (10) days following receipt of written notice from Lessee specifying the nature of any such repairs to be made by Lessor. If Lessor has failed to make such repairs specified by Lessee within such period of time, the Lessee can make any such repair and the cost and expense of such repairs incurred by Lessee on Lessor's behalf shall thereupon become an obligation of Lessor to Lessee and shall be paid to Lessee within thirty (30) days after written demand therefor. Failure by Lessor to reimburse to Lessee the cost of repairs made on Lessor's behalf within such thirty (30) day period shall entitle Lessee to deduct the cost of such repairs from rentals next due.

(b) Lessee shall, at its own expense, keep the Additional Property and all other improvements owned by Lessee now or hereafter located on the Leased Premises, in reasonably good repair and safe condition.

X.

(a) Lessee acknowledges that it has thoroughly examined the Leased Premises and made an adequate inspection thereof, and therefore accepts the Leased Premises in the condition in which the same now exist. Therefore, Lessor shall not be liable to Lessee, or any other persons for personal injuries or death or for damage to

Ex 6, P. 6

property due to any condition of the Leased Premises which may now exist or subsequently occur except to the extent attributable to Lessor's gross negligence or willful misconduct. Lessee, with respect to itself and its agents, employees, servants and invitees, hereby assumes all risk of injuries or death to persons and damage to property, either proximate or remote by reason of the present or future condition of the Leased Premises except to the extent attributable to Lessor's gross negligence or willful misconduct. Lessee agrees that it will indemnify and hold Lessor harmless of, from, and against all suits, claims, and actions of every kind by reason of any breach, violation, or non-performance of any of the terms or conditions on the part of Lessee hereunder. Additionally, Lessee agrees to indemnify and hold Lessor harmless of, from, and against all claims, actions, damages, liabilities, and expenses asserted against Lessor on account of injuries or death to persons or damage to property when and to the extent that any such damage, injury or death may be caused, either proximate or remote, wholly or in part by an act or omission, whether negligent or not, of Lessee or any of its agents, servants, employees, contractors, patrons or invitees or of any other person entering upon the Leased Premises under or with the express or implied invitation of Lessee, or if any such injury, death or damage may in any way arise from or out of the occupancy or use by Lessee, its agents, employees, and invitees of the Leased Premises.

(b) Lessor agrees that it will indemnify and hold harmless Lessee of, from, and against all suits, claims and actions of every kind by reason of any breach violation or non-performance of any of the terms or conditions on the part of Lessor hereunder. Additionally, Lessor agrees to indemnify and hold Lessee harmless of, from, and against all claims, actions, damages, liabilities, and expenses asserted against Lessee on account of injuries or death to persons or damage to property when and to the extent that any such damage, injury or death may be caused, either proximate or remote, wholly or in part by an act or omission, whether negligent or not, of Lessor or any of its agents, servants, employees, contractors, patrons or invitees or of any other person entering

Exh 6, P 7

upon the Leased Premises under or with the express or implied invitation of Lessor, or if any such injury, death or damage may in any way arise from or out of the occupancy or use by Lessor, its agents, employees, and invitees of the Leased Premises.

XI.

Lessee shall deliver to Lessor a waiver of subrogation from each of the insurance companies issuing policies insuring Lessee's interest in the Leased Premises, the Additional Property and all other property of Lessee which may exist at any time on the Leased Premises. Accordingly, in the event of any damage or destruction to any of Lessee's property on the Leased Premises, it agrees to look solely to its insurance for recovery; and, in behalf of any insurer providing insurance to it with respect to its property on the Leased Premises, it hereby waives any right of subrogation which said insurer may have or acquire against Lessor by virtue of payment of any loss under such insurance.

XII.

(a) Lessee agrees to maintain at its own cost and expense throughout the term hereof public liability and property damage insurance in an amount and with a company reasonably acceptable to Lessor. Such policies shall name Lessor and Lessee as the insureds and shall be non-cancellable with respect to Lessor except after thirty (30) days advance written notice. A copy of such policy shall be delivered to Lessor.

(b) Lessor agrees to maintain adequate casualty and liability insurance with respect to the Building and other improvements owned by Lessor now or hereafter located on the Leased Premises. Copies of such policies shall be delivered to Lessee.

(c) In the event the Building is totally or substantially destroyed by fire or other casualty, either party may terminate this Lease upon thirty (30) days written notice to the other party.

XIII.

Lessee hereby grants to Lessor a lien and security interest on all fixtures and personal property at anytime situated in or upon said Leased Premises other than the Additional Property to secure the payment of all rentals and other obligations payable and to become payable to Lessor hereunder and to secure the performance of all obligations of Lessee hereunder. This lien shall be cumulative of and in addition to all other express liens and security interests granted by Lessee to Lessor and to the landlord's lien and any and all other liens existing under any statute or law to secure the same, none of said liens being waived.

XIV.

If Lessee should fail to completely vacate the Leased Premises upon the expiration or termination of this lease, then Lessee shall pay as liquidated damages an amount equal to one-hundred fifty percent (150%) of the regular monthly installments of rental for each month which fails to vacate said premises. No holding over by Lessee after the termination or cancellation of this Lease shall operate to extend the term of this Lease for a period longer than a month to month tenancy.

XV.

Lessee shall be in default under this Lease upon the occurrence of any one or more the following events or conditions (herein called "Event of Default"):

A. Failure to pay full amount of rental or any other payment required hereunder within ten (10) days after written notice of such failure is delivered by Lessor to Lessee; provided, however, that such ten (10) days notice period shall be inapplicable after Lessor has delivered notice of such failure to pay rent or any other payment to Lessee three (3) times during the term of this Lease, in which event default hereunder shall occur upon the failure of Lessee to pay the full

amount of rental or any other payment on the date required without the necessity of prior notice of such failure having been given to Lessee.

B. The failure of Lessee to perform or comply with any of its other obligations hereunder within thirty (30) days after written notice of such specific failure to perform or to comply having been delivered by Lessor to Lessee.

C. Lessee's dissolution, termination of existence, insolvency or business failure, or an assignment by Lessee for the benefit of creditors or the commission of act of bankruptcy, or the institution of voluntary or involuntary bankruptcy proceedings, or the taking over of Lessee's leasehold interest in this Lease by a receiver for Lessee or the placing of Lessee's leasehold interest in this Lease in the custody of any court or an officer or appointee thereof.

XVI.

Upon the occurrence of an Event of Default as set forth in Paragraph XV hereof, Lessor shall be entitled to the following remedies:

A. Lessor may accelerate the rent for the balance of the term hereof and declare the entire amount thereof immediately due and payable.

B. Lessor may elect to terminate this Lease.

C. Lessor may elect, without terminating this Lease, to terminate Lessee's right to possession of the Leased Premises. In such event, Lessor may rent the Leased Premises or any part thereof to any person or persons at such rental (granting reasonable concessions if necessary) and for such period of time as Lessor determines practicable, for the account of Lessee, and credit to Lessee any rental thus received, less the expenses of repossession, preparing the Leased Premises for reletting and the reletting thereof. Lessee shall be liable for any deficiency of such rental below the total rental herein provided for the unexpired balance of the term, and such sum or sums shall be paid by Lessee in monthly installments on the

rental payment dates as specified herein. Suits to enforce such liability may be brought by Lessor at any time and from time to time on one or more occasions. Lessor shall in no event be liable for failure to relet the Leased Premises; or if the Leased Premises are reletted, for failure to collect the rent under such reletting.

Each right and remedy to which Lessor may be entitled upon the occurrence of an Event of Default, including those expressly set forth herein, those set forth in any other documents executed in connection herewith, and those granted by law, are cumulative; and, upon an occurrence of an Event of Default, Lessor may proceed, at his option, with any one or more available remedies with respect to this Lease. Any act or omission to act by Lessor in connection with any such available remedy or remedies shall not constitute an election of remedies or the waiver or abandonment of any other remedy.

XVII.

Neither the acceptance of rent by Lessor nor the failure by Lessor to complain of any action, non-action or default of Lessee shall constitute a waiver of any of Lessor's rights hereunder. Waiver by Lessor of any right for any default of Lessee shall not constitute a waiver of any right for either a subsequent default of the same obligation or for any other default.

XVIII.

Any notices of communications to be given to either party hereunder shall be given in writing and may be effected by personal delivery or by registered or certified United States mail with postage prepaid as follows:

In the case of Lessor:

Chameleon Radio Corporation
10885 Rockley Road
Houston, Texas 77099
Attention: Don Werlinger